



Housing Corporation Assessment

Teign Housing

LH4403

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Housing Corporation Assessment

The 'traffic light' system used below illustrates our overall assessment of the association's compliance with the Regulatory Code and development performance. A green symbol indicates no material concerns about performance, the association is either complying with the Regulatory Code or taking sufficient steps to comply with the Code within a reasonable timescale; an amber symbol indicates some material concerns about performance, resulting in Corporation action above the minimum; a red symbol indicates serious concerns about performance.

VIABLE

Measuring compliance with the Regulatory Code part 1

Green

The association meets the expectations set out in the Regulatory Code in terms of financial viability, however exposures exist which make it vulnerable to deterioration.

PROPERLY GOVERNED

Measuring compliance with the Regulatory Code part 2

Green

The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.

PROPERLY MANAGED

Measuring compliance with the Regulatory Code part 3

Green

The association generally meets the standard expected given the context in which it works and the available resources.

DEVELOPMENT

Development with Housing Corporation funding

N/A

The association has not received Corporation funding in the past year.

In preparing this assessment the Corporation has placed reliance on the completeness and accuracy of information supplied to us by the association and other parties. This information was used to inform our risk based approach to regulation and to identify areas of possible non-compliance with the Regulatory Code for further investigation. Our risk based approach also results in low levels of regulatory engagement with some associations, for whom the information provided in this assessment could necessarily be in less detail. We increasingly rely on associations' self assessment.

The assessment has been compiled to assist the Housing Corporation in its statutory duty of regulation of Registered Social Landlords. Our assessment makes clear to the association's board the conclusions we have reached regarding the association's compliance with the Regulatory Code and its suitability to receive public funding. The Corporation accepts no liability whatsoever for the accuracy or completeness of any information or assessment contained herein. No third party may rely on its contents, but must make its own investigations or enquiries.

Description of the association

Teign Housing (Teign) is a stock transfer association based in a rural/coastal area of south Devon. It was registered in February 2004 to receive the transfer of Teignbridge District Council's (TDC) housing stock. Key transfer commitments outlined in the tenants' promise are to improve homes through a five year planned improvement programme, enhance tenant consultation and involvement and provide high quality standards of service to residents.

Teign owns and manages approximately 3,500 homes for rent, of which 70% is general needs, and the remainder is housing for older people. It also manages a number of leasehold and shared ownership properties. All properties are located within TDC, mainly in Newton Abbot, Teignmouth, Dawlish and surrounding rural areas, including within Dartmoor National Park.

Teign runs an outsourced community alarm system, TeignCare, which provides services for approximately 1,000 tenants and other local residents.

The association's vision is to be an excellent, locally based housing association. Its corporate plan 2008/13 sets out the association's aims for the next five years. Whilst completion of the tenants promises remains a high priority, the future aims are based around four themes: quality homes, excellent services, happy people and creating opportunities.

Average income levels in the area are low compared with regional and national levels, whilst average house prices are relatively high. In addition, the local housing market is affected by an increasing number of second homes. As a result, demand for housing is strong in the Teignbridge area.

The black and minority ethnic (BME) population of the area is 2.8%. Teignbridge has a significant presence of travellers' caravans, and recently there has been a trend of migration from Eastern Europe to the area.

Viable – Regulatory Code part 1

The association meets the expectations set out in the Regulatory Code in terms of financial viability, however exposures exist which make it vulnerable to deterioration.

Housing Corporation Assessment

Teign is on course to deliver the five-year post transfer improvement programme by March 2009. Peak debt is currently forecast at £46.5m in 2011/12, with repayment in 2031/32. The total loan facility is £47m. At 31st March 2008, the association managed 3,620 units with a turnover of £13m and employed 81 staff.

Performance against main ratios is in line with the business plan and shows an improving trend over the short to medium term. Following operating losses and resulting deficits as the promises are delivered, margins and interest cover become positive in 2009/10.

Operating margins, whilst initially reaching median levels (24% by 2012/13), reduce and remain relatively low (below 20%) for the remainder of the plan period. However, interest cover quickly rises (exceeding 125% on EBITDA MRI basis in 2011/2012) and remains comfortably above benchmark levels as debt is repaid.

Relatively low transfer values have required relatively low levels of borrowing, even allowing for the necessary repairs to achieve the promises to tenants. Consequently, debt per unit (peaking at £12,561 in 2011/12) and debt to earnings ratio (falling from 12.3 in 2011/12) remain relatively low throughout the period of the plan. The recently completed stock condition survey provides comfort that the previously forecast levels of major repairs spend, the most significant element of cost, are robust. A significant contingency has been built into the plan by not utilising the allowed tolerance against target rents.

However, Teign has a weak underlying financial profile over the short to medium term, which reduces its capacity to absorb even relatively modest adverse financial impacts that may arise. This is evidenced by:

- planned operating margins that decline to, and remain at, relatively low levels;
- business plan assumptions that, although above the norm for interest rates, are otherwise relatively less prudent when compared to the rest of the sector and to historical trends for repairs inflation; and
- the association's own sensitivity analysis, which shows that the plan is particularly sensitive to higher than expected repairs costs.

Teign is aware that growing the business is one way of spreading costs and improving margins. It has identified that once the promises to tenants have been achieved, development capacity could be created. Teign has now included a low level of uncommitted development in its most recent plan.

Teign has confirmed compliance with rent restructuring and expects to achieve target rents by 2012. The association has also stated that it will achieve compliance with the Decent Homes Standard (DHS) by the government's target date of 2010.

Properly Governed – Regulatory Code part 2

The governing body, supported by appropriate governance and executive arrangements, maintains satisfactory control of the organisation.

Housing Corporation Assessment

During the last twelve months, Teign has placed considerable emphasis on strengthening its approach to governance including completion of a governance action plan.

Teign has appointed a new chair, and new board members with skills in commerce and finance, previously underrepresented on the board, have been appointed. The association has conducted board appraisals, agreed a code of conduct for meetings, set up formal board member induction and coaching arrangements for members and introduced remuneration for its chair, vice chair and chair of its audit committee. The board has agreed a further action plan for 2008/09 to build on these successful outcomes.

Teign's board currently has 12 members, of which eight are independent and four are tenants. The board is supported by an audit committee and a governance review group.

The board has set a clear strategic direction for the association and a new corporate plan was approved in April 2008 following a survey of key stakeholders and consultation with residents. The plan, which contains a commitment to good governance, sets out the association's aims for the next three years. Whilst completion of the promises to tenants remains a high priority, the future aims are based around themes of quality homes, excellent services, happy people, and creating opportunities. The development of new properties is also a key part of the association's future plans. Clear continuous improvement performance targets for each year are contained within the plan.

There is a sound approach to risk management. Risk is assessed annually and reviewed regularly. A risk map is reviewed by the board each year and it is updated and reported on quarterly. The association is aware of key business risks and has measures in place to manage those risks.

The association's 2008 self assessment statement of compliance provided a realistic assessment of its compliance with the Regulatory Code. Some weaker areas were identified and these include equality and diversity requirements. Improvement plans to address these areas are included in the compliance statement.

Teign has made progress during the year in its approach to equality and diversity. However, the board accepts that this is not yet fully embedded within the organisation and more work is needed to develop an integrated approach which is fully owned by all staff and board members. The approach to the use of equality impact assessments is underdeveloped. A board equality and diversity champion has been appointed, supported by the chief executive who will be taking the lead in driving progress. We will continue to monitor performance in this area.

Teign has enhanced its relationship with a larger group of associations, with whom the association has a development agreement, to provide governance and regulation advice and support. The associations will be sharing information on approaches to new government initiatives and regulatory guidance as well as sharing each others' expertise for independent review of key documents such as policies. Teign board members have also observed how other boards operate to learn and share good practice.

Arrangements for tenant involvement are generally good, and the association provides dedicated resources to support involvement. A new participation agreement for consulting with tenants has been agreed for this year. In July 2007 Teign worked closely with residents on one estate to set up a tenant management organisation (TMO) run by a board of residents (in the majority) and Teign representatives. The TMO has taken over the cleaning contract for the communal areas in several blocks of flats and maisonettes on the estate. Leaseholders, tenants and residents of sheltered schemes are also involved in strategic decision-making processes through three key fora and there are local tenants groups. There is a proposal to develop the tenants forum as a consultation group reflecting the demographic profile of residents and to set up a separate resident led scrutiny panel. In addition to formal involvement opportunities, tenants take part in a customer panel, focus groups, mystery shopping exercises, contractor meetings, and are represented on the editorial panel of Teign's newsletter.

Properly Managed – Regulatory Code part 3

The association generally meets the standard expected given the context in which it works and the available resources.

Housing Corporation Assessment

Teign employs approximately 90 staff. Staff turnover has consistently reduced from a high level of 33% in 2005/06 to 15% in 2007/08.

The chief executive has been in post since October 2006. The executive team and senior manager structure was revised during the first half of 2008 to ensure a focus on service delivery. The re-structured team appears to be working well together and is cohesive, with capacity to deliver improvements. The new structure has also generated efficiency savings. Teign is aware that in comparison with its peers, it is a relatively high cost organisation, and is undertaking further work and analysis to decrease costs and improve performance. There continues to be an open and co-operative relationship with the Corporation.

In March 2007 Teign's services were inspected by the Audit Commission. The inspectors judged the quality of services to be fair, with promising prospects for improvement. In summary the inspectors found tenant satisfaction to be high with good opportunities for tenants to shape and influence the service including the association's improvement programme. However, customer access can be difficult for many tenants and leadership and progress on equality and diversity has been weak. Estate management and mechanisms for dealing with anti-social behaviour were identified as an area for improvement. Good progress against the action plan drawn up to address these issues has been made and we continue to monitor progress.

During the course of 2007/08, Teign experienced decreasing performance in respect of rent arrears, however, at year end the final arrears position was slightly above the target of 3.8% at 3.83%. Compared to other associations in the south west, 2006/07 performance was lower quartile. The association sustained good performance in 2007/08 in respect of voids, with turnaround lettings time being on average 18 days.

At 81% and 79% respectively, tenants' satisfaction with Teign's overall service and with the repairs and maintenance service is below the south west average but above the national median.

Performance in respect of response repairs has improved in the course of the past year, following a change of contractor and a move to a partnering arrangement. The 2006/07 performance indicators show Teign in the lowest quartile for the south west completing 86% of routine repairs within target times. The 2007/08 performance indicators show improved performance with 94% completed within target times. This issue was also identified by the Audit Commission and is being addressed through the inspection action plan.

Teign failed to meet its BME lettings target (4%) with 1.49% of properties being let to BME households during the year. Work is underway with the local authority to identify and address reasons for this. Some improvements planned in 2008/09 are to review the

equality and diversity action plan to ensure targets have clear deliverables, and develop an outcome-based equality and diversity policy. Teign has worked with TDC to promote community cohesion in a Meet the World day, and jointly runs its BME forum.

Effective partnership working is evidenced by Teign leading an underoccupation project with TDC and another local association, and by advanced plans to jointly set up a domestic violence refuge with TDC.

Teign is developing its approach to community cohesion and sustainability. Efficiency savings have been used to fund a floating support service to assist residents to sustain their tenancies. The service has proved successful and has been extended until September 2009. A proposal to fund a debt and welfare benefits adviser from further efficiency savings is due to be considered by the board shortly. The association has also recently approved the use of starter tenancies and local lettings plans.

The association shows commitment to continuous improvement and is using best value principles effectively to challenge and improve services. Improvement targets have been set against each key performance indicator in the corporate plan until 2013. A key outcome from recent reviews has been the outsourcing of TeignCare and a leasehold services review is due to be completed shortly.

In 2007/08, 95% of Teign's properties met the DHS, an improvement on the previous year. A comprehensive asset management strategy is in place that aims to deliver the promises to tenants within the five year timescale, and ensure that the DHS is achieved by 2010. The majority of works promised to tenants are ahead of programme and Teign has confidence that the improvement programme will be completed on or ahead of schedule.

Development with Housing Corporation funding

The association has not received Corporation funding in the past year.

Housing Corporation Assessment

Teign will be considered for funding within a development partnership, providing schemes meet regional priorities and offer value for money, and acceptable mechanisms for delivery are adopted.

Sources of information and regulatory activity

The following information is generally received from all associations and is reviewed by the Corporation for each association:

- Audited annual accounts, including the internal controls assurance statement
- External auditors' management letter
- Annual self-assessment of compliance with the Regulatory Code
- Five year financial forecast
- Performance indicators

- Regulatory and statistical return
- Annual efficiency statement

In addition to the above, the following specific activities were carried out for Teign Housing:

- Attendance at board meetings throughout 2007 and 2008.
- Ongoing supervisory contact with the executive team and chair.
- Review of progress with the governance action plan and inspection action plan throughout 2007 and 2008.
- Annual Viability Review - April 2008.

Additional information about the association can be accessed on the Housing Corporation and other websites and may include:

- Performance indicator information (www.housingpis.co.uk)
- Inspection report (www.housingcorp.gov.uk for Housing Corporation reports or www.audit-commission.gov.uk for Audit Commission reports)
- Extracts from the Public Register (www.housingcorp.gov.uk/server/show/nav.489)
- Rent information and other key facts and figures (www.rsrsurvey.co.uk and www.dataspring.org.uk)